MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

DEC5614 – INTRODUCTORY MICROECONOMICS

(All sections / Groups)

14 MARCH 2020
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 10 pages excluding the cover page.
2. For SECTION A questions, please answer in the OMR sheet provided.
3. For SECTION B questions, please answer in the Answer Booklet provided.

SECTION A: Multiple Choice Questions (30 Marks)

1. All economic questions arise because we _____.

   A. want more than we can get
   B. want more than we need
   C. have an abundance of resources
   D. have limited wants that need to be satisfied

2. An incentive _____.

   A. could be a reward but could not be a penalty
   B. could be a penalty but could not be a reward
   C. could be either a reward or a penalty
   D. is the opposite of a tradeoff

3. Studying the determination of prices in individual markets is primarily a concern of _____.

   A. positive economics
   B. negative economics
   C. macroeconomics
   D. microeconomics

4. Which of the following is a macroeconomic decision or concept?

   A. The price of oil.
   B. How many television sets to produce?
   C. The unemployment rate for the entire economy.
   D. The unemployment rate for each firm.

5. When firms in an economy start producing more computers and fewer televisions, they are answering the _____ part of one of the two big economic questions.

   A. how
   B. what
   C. where
   D. for whom

Continued...

6. Which of the following are considered factors of production used to produce goods and services?

   I. Land
   II. Labour
   III. Capital
   IV. Entrepreneurship

   A. I and II only.
   B. I and III only.
   C. I, II and III only.
   D. I, II, III and IV.

7. The night before a final exam, you decide to go to the movies instead of studying for the exam. You score 60 percent on your exam. If you had studied the night before, you could have scored 70 percent. What was the opportunity cost of your evening at the movies?

   A. 10 percent off your grade.
   B. 60 percent off your grade.
   C. 70 percent off your grade.
   D. Interesting movie.

8. The opportunity cost of a hot dog in terms of hamburgers is the _____.

   A. ratio of the slope of the demand curve for hot dogs to the slope of the demand curve for hamburgers
   B. ratio of the slope of the supply curve for hot dogs to the slope of the supply curve for hamburgers
   C. money price of a hot dog minus the money price of a hamburger
   D. ratio of the money price of a hot dog to the money price of a hamburger

9. Demands differ from wants because:

   A. demands are unlimited, whereas wants are limited by income.
   B. wants require a plan to acquire a good but demands require no such plan.
   C. wants imply a decision about which demands to satisfy, while demands involve no specific plan to acquire the good.
   D. demands reflect a decision about which wants to satisfy and a plan to buy the good, while wants are unlimited and involve no specific plan to acquire the good.

Continued...

10. The "law of demand" refers to the fact that, all other things remaining the same, when the price of a good rises:

A. the demand curve shifts rightward.
B. the demand curve shifts leftward.
C. there is a movement down along the demand curve to a larger quantity demanded.
D. there is a movement up along the demand curve to a smaller quantity demanded.

11. The "income effect" in the market for aspirin means that:

A. aspirin are generally taken by people with higher than average incomes.
B. a decrease in the price of a substitute good like acetaminophen will make aspirin takers feel a little poorer than they were before.
C. an increase in the price of aspirin will reduce the total purchasing power of aspirin takers, making them able to afford fewer aspirin.
D. an increase in the price of aspirin will cause headache sufferers to look for a lower priced remedy.

12. The quantity supplied of a good or service is the quantity that a producer _____ at a particular price during a given time period.

A. is willing to sell
B. actually sells
C. needs to sell
D. should sell

13. Which of the following explains why supply curves slope upward?

A. Prices and income.
B. Increasing marginal cost.
C. Resources and technology.
D. Substitutes in production and complements in production.

14. As the price of a kg of peanuts falls, the:

A. supply of peanuts increases.
B. supply of peanuts decreases.
C. quantity of peanuts supplied increases.
D. quantity of peanuts supplied decreases

15. The price elasticity of demand is defined as the magnitude of the:

A. change in quantity demanded divided by the change in price.
B. change in price divided by the change in quantity demanded.
C. percentage change in quantity demanded divided by the percentage change in price.
D. percentage change in price divided by the percentage change in quantity demanded.

Continued...

16. The price elasticity of demand for oranges _____ change if the units of the quantity was changed from pounds to kilograms and _____ change if the units of the price was changed from ringgits to cents.

A. would; would
B. would; would not
C. would not; would
D. would not; would not

17. A 20 percent increase in the quantity of pizza demanded results from a 10 percent decline in its price. The price elasticity of demand for pizza is _____.

A. 0.5
B. 2.0
C. 10.0
D. 20.0

18. If the price elasticity of demand for clothing is 0.64, this implies that:

A. a 6.4 percent increase in price the price of clothing leads to a 10 percent decrease in the quantity demanded.
B. a 10 percent increase in the price of clothing leads to a 6.4 percent decrease in the quantity demanded.
C. if there is an increase in the price of clothing the total expenditures on clothing decreases.
D. Both answers A and C are correct.

19. A good with a horizontal demand curve has a demand:

A. with an income elasticity of demand equal to 0.
B. with a price elasticity of demand equal to 0.
C. with a price elasticity of demand equal to infinity.
D. for which there are no substitutes.

20. If University of Bola Sepak increased its season football ticket sales from 43,000 to 47,000 when it lowered price from RM350.00 to RM300.00, then its demand for season tickets must be _____ because total revenue _____ when the price was lowered.

A. inelastic; decreased
B. elastic; decreased
C. elastic; increased
D. inelastic; increased

Continued...

21.

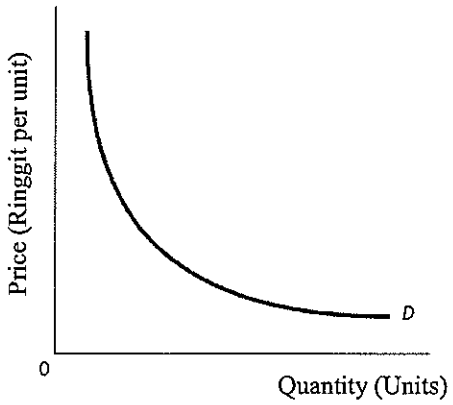

Figure 1

The demand curve in the figure above illustrates the demand for a product with _____.

A. zero price elasticity of demand at all prices
B. infinite price elasticity of demand
C. unit price elasticity of demand at all prices
D. a price elasticity of demand that is different at all prices

22. If peanut butter and jelly are complements, then their cross elasticity of demand must be _____.

A. infinitely high
B. a positive number that might be greater than 1
C. a number between zero and one
D. a negative number

23. A person's consumption possibilities is defined by the budget line because:

A. it marks the boundary between what is affordable and unaffordable.
B. it represents the individual's preference for different combinations of goods.
C. it marks the boundary between what can be produced and what is unattainable given the current state of technology and resources.
D. all consumers must consume on their budget line.

Continued...

24. The total benefit that a person receives from the consumption of goods and services is called _____.

A. total utility
B. marginal utility
C. marginal cost
D. opportunity cost

25. "I really enjoy watching movies. The first one is best. After that I still enjoy movies but the last one is not as much fun to watch as the one before it." This statement reflects the _____.

A. principle of diminishing total utility
B. principle of diminishing marginal utility
C. principle of increasing marginal utility
D. law of supply

26.

Units Consumed	Jim's total utility	Sally's total utility
1	12	16
2	22	26
3	30	34
4	36	35

Table 1

In the table above, which of the following is **TRUE**?

A. Jim and Sally have increasing marginal utility.
B. Jim has increasing marginal utility and Sally has diminishing marginal utility.
C. Jim has diminishing marginal utility and Sally has increasing marginal utility.
D. Jim and Sally have diminishing marginal utility.

27. Ricky Tan is in a consumer equilibrium. Given the prices of goods, Ricky Tan has allocated all his income such that his marginal utility per Ringgit spent is _____ for _____ goods.

A. as small as possible; all
B. equal; all
C. equal; normal
D. maximised; all

Continued...

28. Shafiq Ali has seen two movies this week and two football games. His marginal utility of one more movie is 20 and his marginal utility of one more football game is 30. Shafiq Ali will go to a football game tonight, rather than to another movie, _____.

A. no matter how much more the football game costs compared to the movie
B. if the football game costs RM10.00 and the movie costs RM7.00
C. if the football game costs RM10.00 and the movie costs RM5.00
D. Both answers B and C are correct.

29. Economists using marginal utility theory assume that consumers' objectives are to:

A. maximise their total utility.
B. maximise their marginal utility.
C. maximise their income.
D. maximise the shareholder's wealth.

30. Which of the following is **NOT** an assumption of marginal utility theory?

A. People derive utility from their consumption.
B. More consumption yields more total utility.
C. Marginal utility diminishes with more consumption.
D. Utility can be measured and the units of utility are precisely defined.

(Total: 30 marks)

Continued...

SECTION B: Structured Questions (70 Marks)

QUESTION 1

Table 2 shows the total products produced by Seiko Sdn. Bhd.

Number of employee/s per day	Total products produced per day
1	5
2	14
3	20
4	24
5	26

Table 2

Based on Table 2,

a. Calculate the marginal product at all level of output.

(5 marks)

b. Calculate the average product at all level of output.

(5 marks)

c. Draw a total product curve, label the attainable and unattainable output in the graph. (points must be clearly plotted)

(7.5 marks)

(Total: 17.5 marks)

Continued...

QUESTION 2

a. Briefly explain:

i. perfect competition market.

(4 marks)

ii. monopoly market.

(3 marks)

b. Figure 2 below shows the perfect competition market supply and demand curve for pancake, you are required to: (working must be clearly stated)

i. calculate the total revenue.

(1.5 marks)

ii. based on answer obtain from (i) draw the total revenue curve.

(5 marks)

iii. draw the marginal revenue curve.

(4 marks)

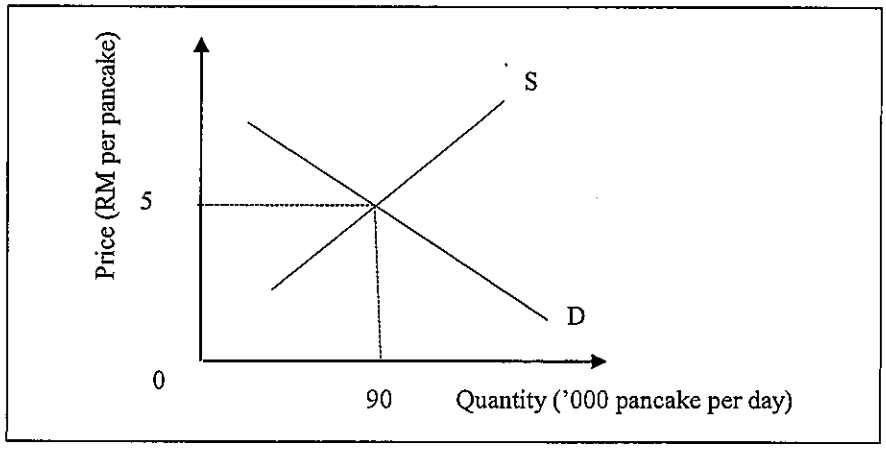

Figure 2

(Total: 17.5 marks)

QUESTION 3

The D-Design online shop is selling T-shirt made by more than 80 producers or companies. These producers compete with its own specialty in the market. We categorise this market as monopolistic competition. Kindly explain the **FOUR** (4) characteristics of monopolistic competition.

(Total: 17.5 marks)

Continued...

QUESTION 4

Astrophytum Berhad is located at Pulau Melaka and it is a salted fish packaging company. The employees of the company are able to pack the following weight of salted fish:

Number of employees	Quantity of salted fish (kg)
1	30
2	55
3	70
4	84
5	92

The salted fish is sold at RM1.80 per kilogram and the wage rate of employee is RM4.00 per hour.

a. Calculate the marginal product of the salted fish at all level of output.

(4.5 marks)

b. Calculate the value of marginal product of employee at all level of output.

(5 marks)

c. Identify the condition/situation the company will achieve profit maximum.

(2 marks)

d. Briefly explain the **THREE (3)** changes of number of employees of a company if the price of the salted fish increases.

(6 marks)

(Total: 17.5 marks)

End of Paper